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Revelation of Expectations in Latin America

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REVELA is a free Web-based monthly service on inflation and growth expectations in Latin America. REVELA's Web site offers an up-to-date report and a database with historical information. This service compiles data from the expectations surveys conducted and reported by eight Central Banks in Latin American with inflation-targeting regimes. REVELA does not represent official projections by the IDB or any other official institution.

A. Highlights

According to the June surveys conducted by Central Banks in the region, the simple average of growth expectations for 2017 remained constant at 2.4% compared to May, while the simple average of inflation expectations for 2017 fell by 0.1% from 4.5% to 4.4%.

At the individual country level, growth expectations increased sharply in Uruguay by 0.8% from 2.6% to 3.4% while they declined by 0.1% in three countries: Peru from 2.6% to 2.5%, Chile from 1.6% to 1.5% and Brazil from 0.5% to 0.4%.

Inflation expectations declined in five countries, remained stable in two and rose only in one. They fell by 0.3% both in Uruguay from 7.2% to 6.9%, and in Brazil from 3.9% to 3.6%. They declined by 0.1% in three countries: Guatemala from 4.4% to 4.3%, Peru from 3.1% to 3.0% and Chile from 2.9% to 2.8%. The only rise was observed in Mexico by 0.1% from 5.9% to 6.0%. Finally, inflation expectations remained stable in Colombia at 4.4% and in Paraguay at 4.0%.

Growth expectations for 2017 in the region ranged from 0.4% in Brazil to 4.0% in Paraguay while inflation expectations for 2017 ranged from 2.8% in Chile to 6.9% in Uruguay in June.

Table 1. Growth and Inflation Expectations for 2017

| Country | Growth expectation (percentage expected for 2017) | | | Inflation expectation (percentage expected for 2017) | | |
|-----------------------|--|---------------------|------|---|---------------------|------|
| | as of Jun 2017 | May - Jun change | | as of Jun 2017 | May - Jun change | |
| Brazil | 0.4 | ↓ | -0.1 | 3.6 | ↓ | -0.3 |
| Chile | 1.5 | ↓ | -0.1 | 2.8 | ↓ | -0.1 |
| Colombia | 2.4 | ⇒ | 0.0 | 4.4 | ⇒ | 0.0 |
| Guatemala | 3.2 | ⇒ | 0.0 | 4.3 | ↓ | -0.1 |
| Mexico | 2.0 | ⇒ | 0.0 | 6.0 | ↑ | 0.1 |
| Paraguay | 4.0 | ⇒ | 0.0 | 4.0 | ⇒ | 0.0 |
| Peru | 2.5 | ↓ | -0.1 | 3.0 | ↓ | -0.1 |
| Uruguay | 3.4 | ↑ | 0.8 | 6.9 | ↓ | -0.3 |
| Eight country average | 2.4 | ⇒ | 0.0 | 4.4 | ↓ | -0.1 |

Source: REVELA, IDB 2015. Data available for download [here](#).

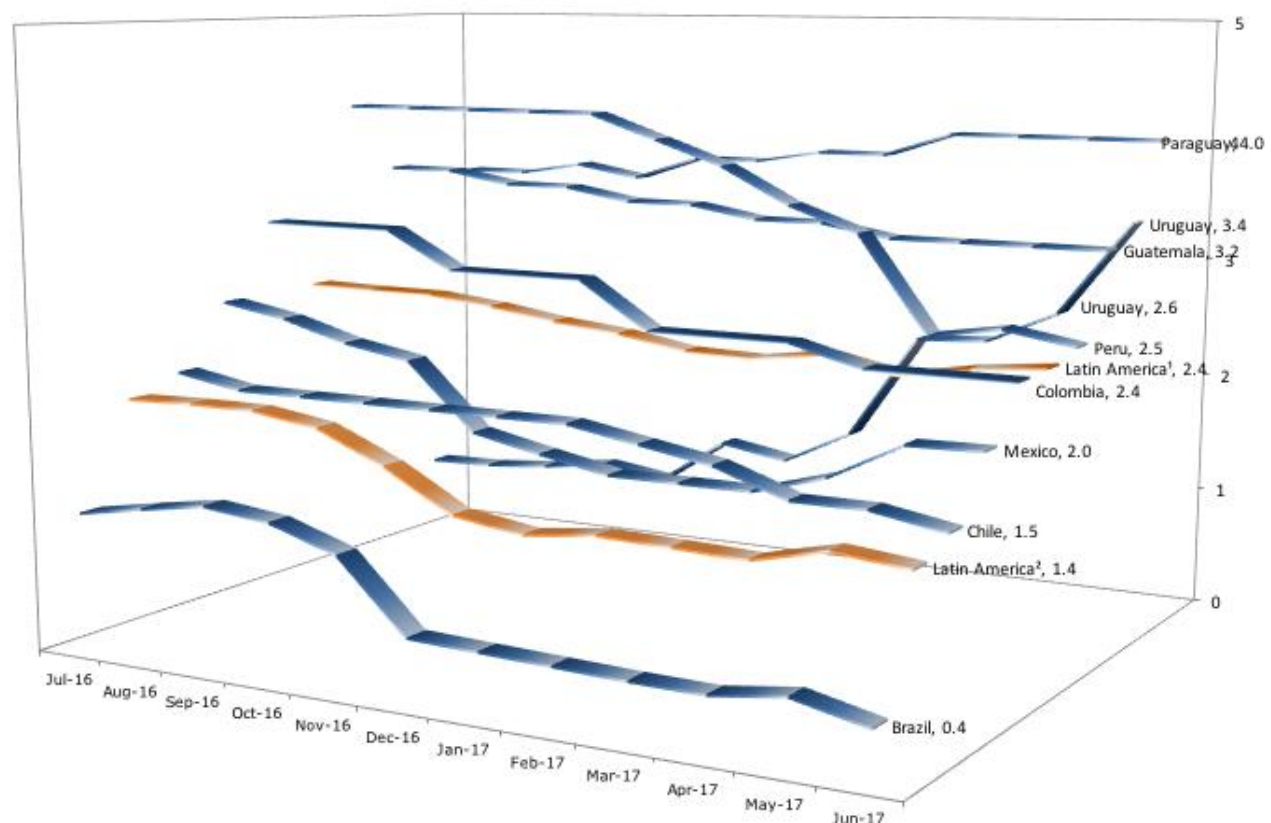
B. Growth

Growth expectations for 2017 remained stable in June according to the simple average of the surveys at 2.4% and also under the GDP-weighted average calculation at 1.4%. The simple average of expectations is at the same level as six months ago while the GDP-weighted average had a mild decline of 0.1% compared to December 2016.

At the individual country level, the only rise was in Uruguay where growth expectations had a sharp recovery, by 0.8% from 2.6% to 3.4% compared to the previous month. On the other hand, growth expectations declined by 0.1% in three countries: Peru from 2.6% to 2.5%, Chile from 1.6% to 1.5% and Brazil from 0.5% to 0.4%. Expected growth remained stable compared to May in: Paraguay at 4.0%, Guatemala at 3.2%, Colombia at 2.4% and Mexico at 2.0%.

Compared to expectations six months ago, growth expectations increased in three countries and declined in five. The most significant cumulative increase was observed in Uruguay where they rose by 2.2% compared to December 2016. Milder cumulative rises were surveyed in Mexico by 0.4% and Paraguay by 0.3%. On the contrary, growth expectations had a sharp cumulative decline in Peru by 1.5%, followed by falls in Chile and Colombia by 0.5%, Guatemala by 0.2% and Brazil by 0.1%. With these results, growth expectations for 2017 in the region ranged from 0.4% in Brazil to 4.0% in Paraguay.

Figure 1. Market Expectations of Growth
(Percentage, yoy 2017)



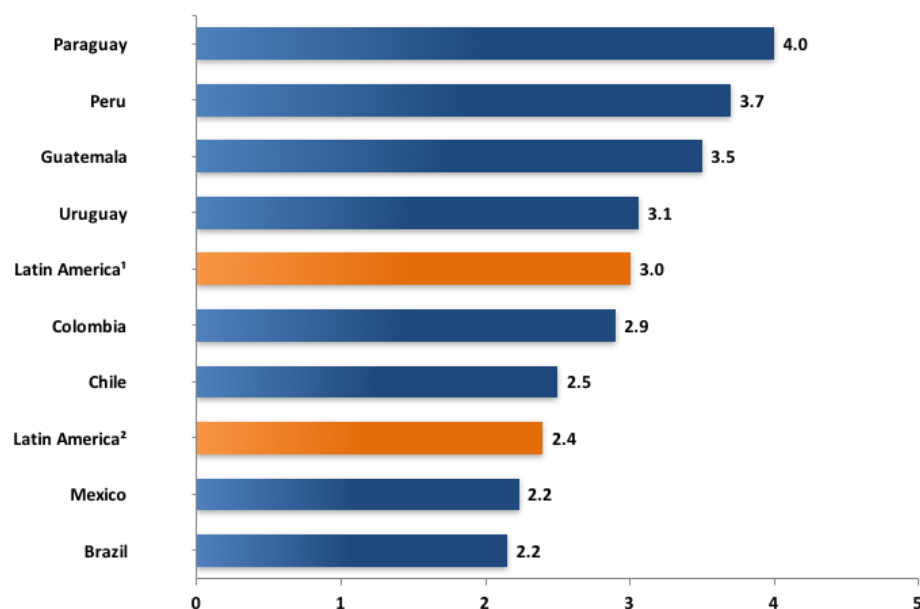
Source: REVELA, IDB 2017. Data available for download [here](#).

¹ Refers to the simple average of the eight inflation targeting countries.

² Refers to the GDP weighted average of the eight inflation targeting countries.

Growth expectations for 2018 remained stable at 3.0% on the simple average basis and declined by 0.1% from 2.5% to 2.4% on the GDP-weighted average basis in June compared to the previous month. June surveys indicate changes in only two countries with respect to the previous month. In Uruguay, growth expectations for 2018 rose by 0.7% from 2.4% to 3.1%. On the other hand, they declined by 0.3% in Brazil from 2.5% to 2.2%. In the remaining six countries, growth expectations remained stable at: 4.0% in Paraguay, 3.7% in Peru, 3.5% in Guatemala, 2.9% in Colombia, 2.5% in Chile and 2.2% in Mexico. Growth expectations for 2018 ranged from 2.2% in Brazil to 4.0% in Paraguay according to June surveys.

Figure 2. Growth Market Expectations
(Percentage, yoy 2018)



Source: REVELA, IDB 2017. Data available for download [here](#).

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² Refers to the GDP weighted average of the eight inflation targeting countries.

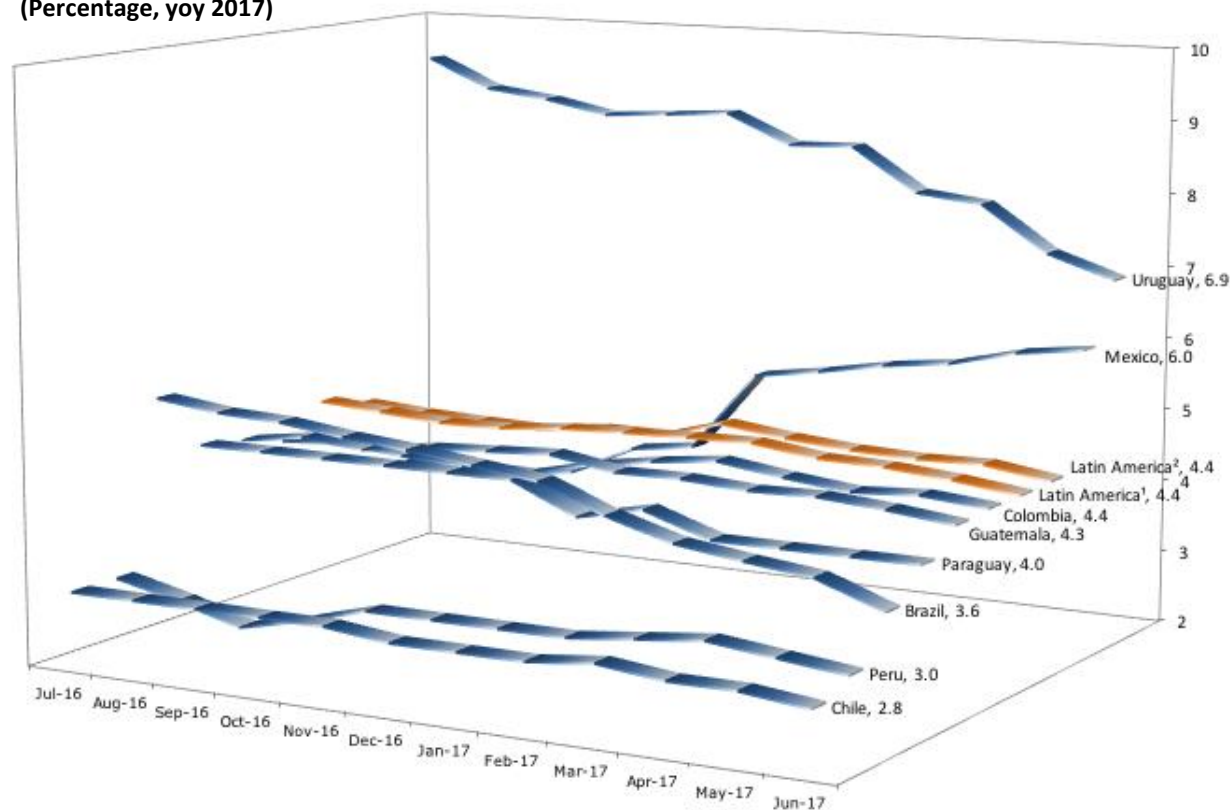
C. Inflation

Inflation expectations for 2017 declined by 0.1% from 4.5% to 4.4% under both the simple average basis and the GDP-weighted average basis in June compared to May. Compared to surveys in December 2016, the simple average of inflation expectations declined 0.3% while the GDP-weighted average fell by 0.1%.

At the individual country level, inflation expectations declined in five countries, remained stable in two and rose only in one compared to the previous month. In Brazil and Uruguay inflation expectations declined 0.3%, from 3.9% to 3.6% in the former and from 7.2% to 6.9 in the latter. Also, expected inflation fell by 0.1% in three countries: Guatemala from 4.4% to 4.3%, Peru from 3.1% to 3.0% and Chile from 2.9% to 2.8%. The only increase was surveyed in Mexico, by 0.1% from 5.9% to 6.0%, where inflation expectations reached the level of 6% for the first time since recorded. Expected inflation remained constant in Colombia at 4.4% and Paraguay at 4.0%.

Compared to surveys six months ago, inflation expectations had significant reductions in Uruguay by 1.9% and in Brazil by 1.3%. Two milder cumulative declines were surveyed in Paraguay by 0.5% and in Guatemala by 0.4%. On the contrary in Mexico, the jump in inflation expectations of January and the continued rise throughout 2017 had led to a 1.9% increase compared to six months ago. Surveys in June indicated that inflation expectations for the region for 2017 ranged from 2.8% in Chile to 6.9% in Uruguay.

Figure 3. Inflation Market Expectations
(Percentage, yoy 2017)



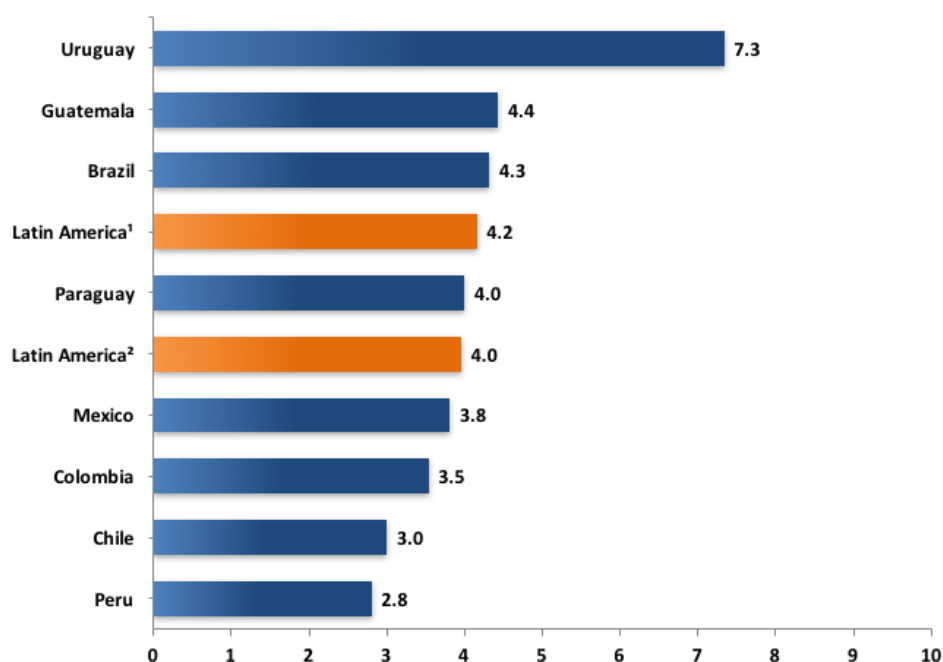
Source: REVELA, IDB 2017. Data available for download [here](#).

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² Refers to the GDP weighted average of the eight inflation targeting countries.

Inflation expectations for 2018 remained constant both under the simple average calculation at 4.2% and under the GDP-weighted average basis at 4.0% in June compared to the previous month. At the individual country level, inflation expectations for 2018 declined by 0.4% in Uruguay from 7.7% to 7.3%, and by 0.1% in four countries: Guatemala from 4.5% to 4.4%, Mexico from 3.9% to 3.8%, Colombia from 3.6% to 3.5% and Peru from 2.9% to 2.8%. They remained constant in Brazil at 4.3%, Paraguay at 4.0% and Chile at 3.0%. Inflation expectations for 2018 ranged from 2.8% in Peru to 7.3% in Uruguay in June.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2018)



Source: REVELA, IDB 2017. Data available for download [here](#).

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